

## Message Text

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C O N F I D E N T I A L STATE 011977

E.O. 11652: GDS  
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TAGS: EEC, PFOR

SUBJECT: US/EC PRESIDENCY DIALOGUE -- JANUARY 25-26 EC NINE  
POLITICAL DIRECTORS MEETING

1. IN CONNECTION WITH JANUARY 25-26 EC NINE POLITICAL  
DIRECTORS MEETING IN LONDON, THE EMBASSY IS REQUESTED  
TO CONVEY THE FOLLOWING TO BRITISH IN THEIR EC PRESIDENCY  
CAPACITY. GIVEN BROAD SCOPE OF POLITICAL DIRECTORS  
AGENDA -- AND TIMING OF MEETING VIS-A-VIS TRANSITION TO

NEW US ADMINISTRATION -- WE AGREE WITH EMBASSY'S RECOMMENDATION (REFTEL) THAT WE USE THIS FIRST EXCHANGE WITH THE NEW BRITISH PRESIDENCY TO PROVIDE OUR CURRENT ANALYSIS OF A NUMBER OF THE POLICY AREAS TO BE REVIEWED BY THE POLITICAL DIRECTORS. THIS MESSAGE CONTAINS OUR ANALYSIS OF SOVIET AND EASTERN EUROPEAN COUNTRIES AND INTERNATIONAL ECONOMIC INSTITUTIONS. MATERIAL ON OTHER AGENDA ISSUES FOLLOWS BY SEPTELS.

2. BEGIN ANALYSIS: THE ATTITUDES OF COMMUNIST COUNTRIES TOWARD INTERNATIONAL ECONOMIC INSTITUTIONS VARY WIDELY. EXCEPT FOR UN-RELATED ORGANIZATIONS, THE SOVIET UNION HAS TRADITIONALLY BEEN UNINVOLVED, BUT IS BEGINNING TO SHOW SIGNS OF MORE INTEREST. SOME OF THE EAST EUROPEANS SHARE SOVIET CAUTION; OTHERS TAKE A MORE ACTIVE ROLE.

THE US ATTITUDE TOWARD ENCOURAGING COMMUNIST COUNTRIES TO BECOME MORE ACTIVELY INVOLVED ALSO VARIES, DEPENDING ON THE STATE OF OUR BILATERAL RELATIONS. WE HAVE NOT TRIED TO ENCOURAGE MORE ACTIVE SOVIET INVOLVEMENT, GIVEN THEIR TRADITIONAL ATTITUDES, BUT THIS POLICY MAY NO LONGER BE APPROPRIATE SHOULD THE SOVIETS DEMONSTRATE AN AWARENESS THAT THEIR STAKE IN A STABLE WORLD ECONOMY REQUIRES THEM TO ENTER, RESPONSIBLY, INTO WIDER COOPERATIVE ARRANGEMENTS. WE DISCREETLY ENCOURAGE THE EAST EUROPEAN

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COUNTRIES TO DIFFERENTIATE THEIR POLICIES IN THESE FORUMS FROM THOSE OF THE USSR.

#### I. THE USSR

THE TRADITIONAL, AND CLEARLY DOMINANT SOVIET APPROACH TO INTERNATIONAL ECONOMIC INSTITUTIONS IS ONE OF NON-INVOLVEMENT. THE SOVIETS HAVE CHOSEN NOT TO SEEK MEMBERSHIP IN THE IMF, THE WORLD BANK OR THE GATT. THEY ARE ACTIVE IN THE INTERNATIONAL WHEAT COUNCIL, BUT PLAY A MARGINAL ROLE IN THE WORLD FOOD COUNCIL. THEY ARE NOT IN THE FAO. ALTHOUGH THEY CASTIGATE THE "IMPERIALISTS" FOR NOT PROVIDING ENOUGH AID TO THE LDC'S, THEY GIVE EVEN LESS THEMSELVES. (SOVIET AID HAS AVERAGED LESS THAN ONE BILLION DOLLARS A YEAR SINCE 1970, IN NON-CONVERTIBLE RUBLES. THIS REPRESENTS LESS THAN 0.1 PERCENT OF GNP.) THEY STAY ON THE SIDELINES AT UNCTAD AND UN SPECIAL SESSIONS. THEY RESIST ANY MOVE TO PUT THEM IN THE "NORTH" CATEGORY IN THE NORTH-SOUTH DIALOGUE, SAYING THEY HAVE NO HISTORICAL RESPONSIBILITY FOR THE ECONOMIC BACKWARDNESS OF DEVELOPING COUNTRIES.

THE REASONS FOR THIS STANDOFFISHNESS ARE BOTH IDEOLOGICAL AND PRAGMATIC. THE SOVIETS CONSIDER THAT THE MAIN INTERNATIONAL ECONOMIC INSTITUTIONS WERE CREATED BY THE

CAPITALISTIC COUNTRIES, TO SERVE -- AS GROMYKO PUT IT IN A STATEMENT TO THE UN LAST OCTOBER -- "THE SELFISH INTERESTS OF THE IMPERIALISTIC MONOPOLIES." THEY ALSO SEE NO IMMEDIATE, TANGIBLE SOVIET BENEFIT THAT WOULD COME FROM

PLAYING A MORE ACTIVE ROLE. THEY BELIEVE THAT WESTERN COUNTRIES DOMINATE THE MAIN INTERNATIONAL ECONOMIC INSTITUTIONS, AND THAT THEY WOULD CONTINUE TO DO SO EVEN IF THE SOVIET UNION WERE MORE INVOLVED.

OVER THE PAST FEW YEARS, HOWEVER, SOVIET OFFICIALS HAVE  
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-- IN PRIVATE -- BEEN SHOWING MORE INTEREST IN CONSULTING WITH THE WEST ON INTERNATIONAL ECONOMIC PROBLEMS. THIS INTEREST REFLECTS THE RECENT STEADY GROWTH OF SOVIET TRADE WITH NON-COMMUNIST COUNTRIES. SUCH TRADE ACCOUNTED FOR ABOUT 35 PERCENT OF ALL SOVIET TRADE IN 1970, AND ACCOUNTS FOR ABOUT 45 PERCENT TODAY. THE VALUE OF SOVIET TRADE WITH THE WESTERN INDUSTRIALIZED COUNTRIES GREW THREE-FOLD DURING THE SAME PERIOD.

WHILE "INTERDEPENDENCE" IS TOO STRONG A WORD TO DESCRIBE WHAT IS HAPPENING, THE SOVIET ECONOMY IS CLEARLY BECOMING LESS IMMUNE TO WORLD ECONOMIC DEVELOPMENTS THAN IT WAS IN THE PAST. THE WESTERN RECESSION THAT FOLLOWED THE RISE IN OIL PRICES IN 1973 CAUSED SOVIET EXPORTS TO DECLINE. THE AVAILABILITY OF WESTERN CREDIT AFFECTS SOVIET IMPORT PLANS. THE PRICE AND QUANTITY OF GRAIN IN WORLD MARKETS ARE OF KEEN INTEREST TO THE SOVIETS, ESPECIALLY WHEN THEIR HARVEST FALLS SHORT OF NEEDS. AS COMMUNICATION AND TRANSPORT LINKS SHORTEN TIME AND DISTANCE, IT IS BECOMING MORE DIFFICULT AND COSTLY FOR THE USSR TO REMAIN ALOOF FROM THE WORLD ECONOMY.

FOLLOWING A REQUEST BY GROMYKO TO SECRETARY KISSINGER FOR MORE INFORMATION ON US FOREIGN ECONOMIC POLICIES, UNDER SECRETARY ROBINSON MET WITH A GROUP OF KEY SOVIET OFFICIALS IN MOSCOW IN MARCH OF 1975 FOR A GENERAL REVIEW OF ENERGY, FOOD AND NORTH-SOUTH ISSUES. ALTHOUGH THESE OFFICIALS DID NOT EXPLAIN SOVIET POLICIES IN ANY DETAIL, THEY SHOWED CONSIDERABLE INTEREST IN WHAT THE UNDER SECRETARY HAD TO SAY.

SOME YOUNGER, MIDDLE-GRADE SOVIET OFFICIALS HAVE TOLD US INFORMALLY THAT THEY BELIEVE THE USSR WILL, OVER TIME, BEGIN TO PARTICIPATE MORE ACTIVELY IN WORLD ECONOMIC INSTITUTIONS. SUCH A CHANGE IS LIKELY TO BE SLOW, THEY SAY, BUT IT COULD BE SPEEDED UP BY CHANGES IN THE SOVIET  
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LEADERSHIP OR BY DISRUPTIVE DEVELOPMENTS IN THE WORLD ECONOMY THAT AFFECT SOVIET INTERESTS.

THE US HAS BEEN RESPONSIVE TO SOVIET REQUESTS FOR CONSULTATIONS ON INTERNATIONAL ECONOMIC ISSUES (E.G. UNDER SECRETARY ROBINSON'S TRIP TO MOSCOW IN MARCH 1975.) WE OURSELVES HAVE ALSO TAKEN THE INITIATIVE, ON OCCASIONS, TO CONSULT. BEFORE MEETINGS OF UNCTAD AND THE WORLD FOOD COUNCIL LAST SPRING, EMBASSY MOSCOW CALLED ON THE SOVIET FOREIGN MINISTRY TO EXCHANGE VIEWS ON THE MAIN AGENDA ITEMS. WE MAY TALK MORE THAN THEY DO IN THESE CONSULTATIONS, BUT WE BELIEVE THEY MAKE A SMALL CONTRIBUTION TOWARD ENCOURAGING THE SOVIETS TO ASSUME A MORE RESPONSIBLE ROLE IN THE WORLD ECONOMY.

THE US HAS GENERALLY NOT ENCOURAGED THE SOVIETS TO JOIN INTERNATIONAL ECONOMIC ORGANIZATIONS OR TO BECOME MORE ACTIVELY INVOLVED IN THE ONES THAT THEY HAVE JOINED ALREADY. (ONE OF THE REASONS WHY WE CHOOSE THE IWC AS A FORUM FOR GRAIN RESERVES NEGOTIATIONS, HOWEVER, WAS THAT THE USSR IS A MEMBER OF THAT ORGANIZATION.)

THERE HAVE BEEN TWO MAIN REASONS WHY WE HAVE STOPPED SHORT OF FAVORING A MORE ACTIVE SOVIET ROLE. FIRST OF ALL, WE BELIEVE THAT SOVIET INVOLVEMENT IN THE MAIN ORGANIZATIONS IS, FOR THE TIME BEING, AN ACADEMIC QUESTION. THE SOVIETS APPEAR TO HAVE NO INTEREST IN JOINING THE IMF, IBRD OR THE GATT AT THIS TIME. IN THE CASE OF THE IMF, THEY WOULD NOT BE PREPARED TO CONFORM TO THE REQUIREMENTS FOR DISCLOSURE OF ECONOMIC AND FINANCIAL INFORMATION. NOR WOULD THEY BE WILLING TO PROVIDE RESOURCES TO THE WORLD BANK GROUP.

SECONDLY, WE HAVE TRADITIONALLY CONSIDERED THAT MORE ACTIVE SOVIET INVOLVEMENT WOULD, IN MOST CASES, TURN OUT TO BE AGAINST US INTERESTS. IN DISCUSSIONS OF NORTH-SOUTH ISSUES  
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FOR EXAMPLE, THE SOVIETS ARE USUALLY MORE INTERESTED IN MOBILIZING LDC SENTIMENT AGAINST THE WEST THAN IN SEEKING CONSTRUCTIVE SOLUTIONS TO DEVELOPMENT PROBLEMS. IF THEY WERE INVITED TO JOIN DISCUSSIONS ON ENERGY (FOR EXAMPLE, IN CIEC), THE SOVIETS COULD BE EXPECTED TO ALIGN THEMSELVES WITH THE OPEC PRODUCERS FOR POLITICAL REASONS, AND ALSO BECAUSE THEY HAVE AN INTEREST THEMSELVES IN HIGH PRICES FOR OIL AND GAS.

SOVIET INTEREST IN WORLD ECONOMIC ISSUES IS GROWING, HOWEVER, MOSCOW MAY BE BEGINNING TO SEE THAT IT HAS SOME STAKE IN A STABLE, EQUITABLE WORLD ECONOMIC ORDER. IT MAY WELL BE IN THE US INTEREST TO RESPOND

POSITIVELY AND SELECTIVELY TO THIS TREND, AND -- ON A

GRADUAL BASIS -- TO ENCOURAGE MORE ACTIVE AND RESPONSIBLE SOVIET PARTICIPATION IN INTERNATIONAL ECONOMIC INSTITUTIONS. WERE THEY TO TIE THEMSELVES MORE CLOSELY INTO THE WORLD ECONOMY, THE SOVIETS COULD SEE MORE INCENTIVES FOR RESTRAINT IN THEIR RELATIONS WITH THE WEST. AND OVER THE LONG RUN, THE SOVIETS MIGHT BE BROUGHT TO MAKE CONSTRUCTIVE CONTRIBUTIONS TO THE SOLUTIONS OF SOME OF THE WORLD'S ECONOMIC PROBLEMS.

## II. EASTERN EUROPE

ATTITUDES TOWARD INTERNATIONAL ECONOMIC INSTITUTIONS IN THE EASTERN EUROPEAN COUNTRIES RANGE FROM A SLAVISH IMITATION OF THE SOVIET POSITION (BULGARIA, THE GDR AND CZECHOSLOVAKIA) TO ACTIVE AND INDEPENDENT PARTICIPATION (ROMANIA).

YUGOSLAVIA IS A MEMBER OF THE IMF, GATT AND THE WORLD BANK, AND A LEADER OF THE GROUP OF 77 AND THE NON-ALIGNED GROUP. IT HAS ASSOCIATE STATUS IN THE OECD. IT IS A LEADING SPOKESMAN FOR THE LDC'S IN ALMOST ALL OF THE UN OR  
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UN-RELATED ECONOMIC INSTITUTIONS, A PARTICIPANT IN THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION (CIEC), AND AN ACTIVE MEMBER OF A GROUP OF COUNTRIES ESPOUSING A NEW INTERNATIONAL ECONOMIC ORDER.

ROMANIA HAS ASPIRED TO A POSITION SIMILAR TO THAT OF YUGOSLAVIA. IT IS ACTIVE IN THE ENTIRE RANGE OF UN ECONOMIC AND SOCIAL INSTITUTIONS, SEEKING RECOGNITION OF ITS STATUS AS A "DEVELOPING NATION" AND ATTEMPTING, AS IN POLITICAL FORA, TO DIFFERENTIATE ITS POLICIES FROM THOSE OF THE SOVIET UNION AND THE MORE DOCTRINAIRE COUNTRIES OF EASTERN EUROPE.

THE REST OF THE EAST EUROPEAN COUNTRIES TEND TO BE LESS ACTIVE IN INTERNATIONAL ECONOMIC INSTITUTIONS, ALTHOUGH ALL OF THEM, AND NOTABLY POLAND, LOOK TO THE UN'S ECONOMIC COMMISSION FOR EUROPE AS AN ARENA FOR DEVELOPING THEIR ECONOMIC RELATIONS WITH WESTERN EUROPE AND NORTH AMERICA. THIS LINK WITH THE WEST HAS ASSUMED ADDED IMPORTANCE OVER THE LAST FIVE YEARS, PARALLELING INCREASED EAST EUROPEAN TRADE AND FINANCIAL INTERACTION WITH THE WEST. AN ADDITIONAL INCENTIVE HAS BEEN THE CSCE FINAL ACT'S DESIGNATION OF THE ECE AS A FORUM FOR PROMOTING IMPLEMENTATION OF BASKET II ISSUES. ONCE AGAIN, THE NATURE OF THAT POLICY CHANGE AND THE DEGREE OF SUCCESS IN IMPLEMENTING IT HAS VARIED WIDELY AMONG THE EE COUNTRIES.

YUGOSLAVIA AND ROMANIA HAVE SHOWN A KEEN DESIRE TO CONSULT WITH US PERIODICALLY ABOUT INTERNATIONAL ECONOMIC PROBLEMS AT VARIOUS LEVELS. ALTHOUGH THE OTHER EASTERN EUROPEAN COUNTRIES HAVE NOT DEMONSTRATED THE SAME DEGREE OF INTEREST, POLAND AND HUNGARY, TO SOME EXTENT, APPEAR WILLING TO LISTEN ATTENTIVELY TO OUR VIEWS DESPITE THEIR NON-PARTICIPATION IN MANY WORLD ORGANIZATIONS.

US POLICY HAS SOUGHT TO ENCOURAGE THE DIFFERENTIATION OF  
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THE POLICIES OF EASTERN EUROPEAN GOVERNMENTS FROM THOSE OF THE USSR.

AS EARLY AS 1948, YUGOSLAVIA ESTABLISHED AN INDEPENDENT FOREIGN POLICY. ROMANIA HAS ALSO PURSUED A RELATIVELY DIFFERENT FOREIGN POLICY LINE FROM MOSCOW DURING THE PAST TEN YEARS. WE HAVE HAD FREQUENT CONSULTATIONS WITH THE GOVERNMENTS OF THESE COUNTRIES IN THE CONTEXT OF THE NORTH-SOUTH DIALOGUE.

OUR CONTACTS WITH THE OTHER GOVERNMENTS OF THE REGION ON INTERNATIONAL ECONOMIC PROBLEMS CLOSELY PARALLEL OUR BILATERAL ECONOMIC RELATIONS. WE HAVE NOT, FOR EXAMPLE, APPROACHED THE BULGARIAN OR CZECHOSLOVAK GOVERNMENTS ON QUESTIONS OF INTERNATIONAL ECONOMIC POLICY, OR ENCOURAGED THEM TO TAKE A MORE ACTIVE PART IN INTERNATIONAL INSTITUTIONS, SINCE THEIR POLICIES SO NEARLY MIRROR THOSE OF THE SOVIET UNION. THIS IS ALSO GENERALLY TRUE FOR HUNGARY.

POLAND IS A SPECIAL CASE. ITS GOVERNMENT'S EFFORT TO USE ALL AVAILABLE MEANS TO MODERNIZE ITS ECONOMY HAS LED POLAND INTO IMPORTANT TRADING AND FINANCIAL ARRANGEMENTS WITH THE WEST. IN DEFERENCE TO THE SOVIET UNION, HOWEVER, THE POLISH GOVERNMENT'S ECONOMIC OPENING TO THE WEST OVER THE LAST FIVE YEARS HAS BEEN PURSUED ALMOST EXCLUSIVELY ON THE BILATERAL LEVEL. POLAND HAS NOT ASSUMED AN ACTIVE ROLE IN MULTILATERAL ECONOMIC DIPLOMACY. NOR HAVE WE TRIED TO ENCOURAGE IT TO DO SO.

ANY CHANGE IN SOVIET POLICY TOWARD MORE ACTIVE INVOLVEMENT IN MULTILATERAL ECONOMIC ORGANIZATIONS COULD BRING ABOUT COMMENSURATE CHANGES IN THE POLICIES OF POLAND AND THE OTHER EAST EUROPEAN STATES. END ANALYSIS.  
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